FOCUS ON THE FISC

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FROM THE DESK OF THE FISCAL OFFICER

Your Legislative Fiscal Office is pleased to present the latest edition of Focus on the Fisc. We hope you enjoy it and encourage feedback. This issue contains articles on changes to the Budget Stabilization Fund from the 2015 session, the BP Oil Spill Settlement, debts owed to the Office of Motor Vehicles, an overview of the 2015 session related to transportation and fee increases in the Department of Natural Resources and the Department of Agriculture and Forestry.

I would like to recognize two members of our staff, Shawn Hotstream and Matthew LaBruyere who presented two of the five comparative data reports at the 69th Annual Southern Legislative Conference (SLC) recently held in Savannah, GA. Pictures from the presentations are of Matthew presenting his Corrections Report and of Shawn presenting his Medicaid Report.

As stated before, this is your publication. If there is any way it can be made more useful including additional topics for research and inclusion in one of our upcoming publications, please contact us.

FOCUS POINTS

Budget Stabilization Fund, 2015 Session

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During the recent legislative session in regard to the Budget Stabilization Fund (rainy day fund), one statutory change was enacted and one proposed constitutional amendment will be submitted to the voters this fall. The statutory change is fairly straightforward, while the constitutional proposal is somewhat complicated.

Act 257 (SB 122) increased the base amount of mineral revenue to $950 million per year from $850 million. Mineral revenue (severance tax, royalty receipts, bonus payments, and rental payments) received by the state is first allocated to parish severance and royalty distributions as provided by Article VII, Section 4, Paragraphs (D) and (E). Then, revenue up to the base amount increment flows to the state general fund. Excess mineral revenue received above the combined parish distributions and base amount is subject to deposit into the Budget Stabilization Fund, up to the annually calculated maximum balance of the Fund. The base amount can be changed every ten years by formula, and was last changed eleven years ago in 2004 by Act 11 of 2004 1st Extraordinary Session.

To the extent there is excess mineral revenue, this latest increase in the base amount reserves up to an additional $100 million of those excess revenues for the state general fund rather than subject them to deposit into the Budget Stabilization Fund. However, based on the May 2015 official revenue forecasts, there is no expected excess mineral revenue for FY 16 and FY 17. In FY 18, FY 19, and FY 20 the current forecast expects $4.4 million, $7.2 million, and $9.3 million of excess revenue, respectively. Even if there were excess mineral revenue expected in FY 16 and FY 17, it would flow to the state general fund anyway, pursuant to R.S. 39:94(C)(4)(b) which prohibits automatic deposits of mineral revenue into the Budget

Stabilization Fund through FY 17, unless certain conditions are met. This prohibition expires at the start of FY 18, and Act 257 will then direct the expected excess revenues above to the state general fund rather than the Budget Stabilization Fund.

Act 473 (SB 202) and Act 465 (SB 259) are a proposed constitutional amendment and statutory companion that make substantial changes to the Budget Stabilization Fund, should the voters adopt the amendment at the October 24, 2015 election. The existing Budget Stabilization Fund would become the Budget and Transportation Trust, composed of two subfunds, the Budget Stabilization Subfund and the Transportation Stabilization Subfund. Excess mineral revenue would first flow into the Budget Subfund until its balance is $500 million. In the following fiscal year, excess revenue would flow into the Transportation Subfund up to a $500 million balance. The balance of each subfund is to be maintained at $500 million, but excess revenue beyond the amounts necessary to achieve these balances would flow into the state general fund. No deposits to either subfund are allowed in any fiscal year in which money from the subfunds are appropriated or incorporated into the official forecast, unless specifically appropriated into the subfunds. This provision attempts to avoid a problem with the current Budget Stabilization Fund where falling non-mineral revenue is allowing use of the Fund to support the budget, while at the same time excess mineral revenue exists and is being diverted into the Fund and away from supporting the budget.

This new structure allows for excess mineral revenue to be utilized for transportation infrastructure by effectively capping the Budget Stabilization Fund at $500 million in its new subfund rather than the higher maximums annually calculated (currently $811 million for FY 15). This new maximum level is likely to be achieved by the close out of FY 15 or FY 16, making any excess available to the Transportation Subfund in the following fiscal year. However, there is no expected excess mineral revenue for FY 16 and FY 17. Under the current official forecast of May 2015, the earliest any excess mineral revenue will be available for the Transportation Subfund is FY 18 in an estimated amount of $4.4 million, followed by $7.2 million and $9.3 million in FY 19 and FY 20, respectively. Mineral revenue forecasts are, of course, subject to change and actual results will likely differ from those currently expected.

Any deposits to the Transportation Subfund are to be used for planning, design, construction, and maintenance connected with the state highway program, with at least 20% to be used for the Intermodal Connector Program. That program was established to improve access to intermodal terminals such as airports, ports, and rail facilities. In addition, should the constitutional amendment proposed by Act 473 not be adopted by the voters, these monies would be directed to the Transportation Trust Fund pursuant to Act 275 of the 2015 session.

Finally, Act 473 retained much of the current law involving the Budget Stabilization Fund. No changes were proposed as to the necessity for declining revenue forecasts to make funds available for support of the budget, nor the 2/3 legislative vote required to authorize their use. Also not changed was the annual maximum fund balance calculation; each fiscal year's maximum balance is 4% of the prior year's total revenue receipts net of any federal disaster relief assistance. This limit appears contradictory, though, since the new language in Act 473 caps the Budget Stabilization Subfund at $500 million, which is lower than what the current provision would calculate. The proposal does change the frequency of allowable revisions to the base threshold to every five years from the current frequency of ten years.

GENERAL GOVERNMENT

OMV Delinquent Debts and Allocations/Appropriations of Such in FY 16

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As was mentioned in the last edition of *Focus on the Fisc*, this edition includes additional information on Act 414 of 2015 (HB 638) and the flow of such debt collections provided within various Acts of the legislature. Act 414 of 2015 declares some outstanding OMV debts as "final delinquent debt" (60+ plus days old or older) and turns this debt over to the Office of Debt Recovery (ODR). As provided in Act 414, final debt is the amount due which is no longer negotiable and that the debtor has no further right of administrative and judicial review. Currently, the majority of these fee collections are classified as either OMV SGR or, pursuant to Act 641 of 2014, is classified as Insurance Verification System Fund revenues (only the increased portion from Act 641 of 2014). The originating source of every $1 OMV collects from the fee sources identified in Act 414 as delinquent is from current year debt, debt that is less than 60 days old and debt that is 60+ days old. Therefore, turning these 60+ day old debts over to the ODR could result in some amount less of SGR/Insurance Verification System Fund revenues flowing to the OMV (SGR) or to the statutory dedication (Insurance Verification System Fund). This issue was discussed in the last edition of *Focus on the Fisc*.

The specific amount that would be redirected is unknown at this time. However, pursuant to R.S. 47:1676(E)(1), non-tax debt monies collected by ODR are to be transferred to the Debt Recovery Fund and are to be used by the referring agency, in this case OMV, as if those revenues had been collected timely. Thus, the potential revenue reduction in SGR/Insurance Verification System Fund could be offset by the amounts collected on behalf of OMV deposited into the Debt Recovery Fund. However, based upon Act 414, before the OMV receives these delinquent resources, there are various non-OMV allocations and appropriations contained in Act 16 (HB 1), Act 26 (HB 2), Act 121 (HB 566) and Act 414 (HB 638). Therefore, <u>Act 414 is essentially a dedication of 60+ day old OMV debts to State Police and DOTD that would have otherwise flowed into either OMV SGR or the Insurance Verification Fund</u>. Based upon assumptions outlined within the fiscal note for Act 414 (HB 638) and the information provided to the LFO by the OMV and by the Department of Revenue, the LFO estimates ODR could collect between $13 M to $19 M in FY 16 from these outstanding debts.

The Flow of OMV Delinquent Debts
The LFO is unclear as to how these resources would be allocated. Below are the provisions contained in each Act and two potential funding interpretations of these various Acts as noted in Table 1 below.

- *Act 16 (HB 1) – $5 M appropriated from the Debt Recovery Fund to State Police (Training Academy);*
- *Act 16 (HB 1) – $11 M appropriated from the Debt Recovery Fund (from Act 414) to State Police (Trooper Pay Raise);*
- *Act 26 (HB 2) – $17 M appropriated from the Debt Recovery Fund (from Act 414) to DOTD;*
- Act 121 (HB 566) – Provides that $11 M generated from Act 414 shall be allocated to State Police for State Trooper pay raise, which has occurred in Act 16 (HB 1);
- Act 121 (HB 566) – Provides that $42 M generated from Act 414 shall be allocated to DOTD of which it appears Act 26 (HB 2) has appropriated $17 M of this $42 M allocation;
- Act 414 (HB 638) – Provides that $25 M be allocated to State Police, which State Police is interpreting to mean in addition to the $11 M currently appropriated.

Potential Interpretation 1: To the extent Act 414 of 2015 is interpreted so that the mandatory allocations contained in Act 121 (HB 566) and Act 414 (HB 638) are separate and apart from the current appropriations, the total amount accounted for is $100 M ($41 M – State Police, $59 M – DOTD).

Potential Interpretation 2: To the extent Act 414 of 2015 is interpreted so that the mandatory allocations contained in Act 121 (HB 566) and Act 414 (HB 638) are not separate and apart from the current appropriations, the total amount accounted for is $67 M ($25 M – State Police, $42 M – DOTD).

Table 1

	Act 16	Act 16	Act 26	Act 121	Act 414	Total
Potential Interpretation 1	$5,000,000	$11,000,000	$17,000,000	$42,000,000	$25,000,000	$100,000,000
Potential Interpretation 2	Included in Act 414 amount	Included in Act 414 amount	Included in Act 121 amount	$42,000,000	$25,000,000	$67,000,000

To the extent the revenues collected are less than appropriated, State Treasury will allocate the collections based upon a prorata share. Based upon the current appropriations in Act 16, the percentage breakdown is 48% - State Police, 52% - DOTD.

Transportation Overview: 2015 Regular Session of the LA Legislature

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During the 2015 Regular Session, several instruments were passed that could potentially create additional revenues to be deposited into the Transportation Trust Fund–Regular (TTF) or to bring about a reallocation of TTF funds away from non-transportation related expenses (i.e. Office of State Police for traffic control purposes).

Act 147 - SB 271 – Senator White

Act 147 provides for equivalency of special fuels taxes with the gasoline tax for motor vehicles that operate on state highways using liquefied natural gas, liquefied petroleum gas or compressed natural gas. The proposed law will likely result in an indeterminable increase in special fuels tax collections to be deposited into the TTF, shifting the collection of taxes from a decal to a per gallon equivalent. These vehicles currently pay either a flat-fee or mileage based, statutorily defined tax for special decals on an annual basis depending on the type and weight of the vehicle. As the current system largely relies on self-reporting, it is likely to result in less tax revenue collections than would occur under a system that collects taxes based on the actual volumes consumed.

Act 147 additionally reduces the discount for timely filing and remittance of motor fuels tax that is currently allowed to suppliers and distributors/importers of gasoline, diesel and special fuels. Act 147 reduces the allowable administrative discount for suppliers or permissive suppliers from 1.5% to 0.5% and reduces the allowable discount for fuel delivered to a purchaser with a valid distributor or importer license from 1% to 0.33%. The LA Department of Revenue estimates these proposed discount reductions will result in a fuels tax revenue increase of approximately $6 M to the TTF beginning in FY 16.

Act 275 - SB 221 – Senator Adley (and associated Acts 257, 465 and 473)

Act 275 provides for an allocation of the annual avails of certain sales and use taxes in an amount equal to the general fund revenues certified by the Revenue Estimating Conference as being attributable to the provisions in Act 257 (SB 122) of 2015 up to $100 M while requiring the first $70 M of the total avails to be deposited into the TTF for state highway pavement and bridge sustainability projects in accordance with DOTD definitions of such projects. Ninety-three percent (93%) of the avails remaining after the first $70 M carve-out are to be sub-allocated as follows: 30% into the highway priority program for capacity projects, 25% for port construction and development priority program projects, and 45% for state highway pavement and bridge sustainability projects in accordance with DOTD definitions of such projects. The final 7% of the remaining avails after the first $70 M carve-out shall be deposited into the LA State Transportation Infrastructure Fund as per Act 431 (HB 767) of 2015. Act 275 is projected to generate additional deposits into the TTF of $4.4 M in FY 18, $7.2 M in FY 19 and $9.3 M in FY 20 based on the current estimates adopted by the Revenue Estimating Conference on 5/14/15.

Act 275 repeals both the SGF trigger associated with Act 11 of the 2008 2nd Extraordinary Session and the phase-in of depositing certain vehicle sales taxes into the TTF in lieu of up to $100 M in deposits as per new law. This repeal addresses a potential $400 M redirect of funds from the SGF into the TTF that was estimated to occur in five to seven years (pending SGF revenue deposits reaching a designated trigger of $9.7 B).

NOTE: Act 473 (SB 202) proposes a constitutional amendment creating the Budget and Transportation Stabilization Trust. Voter approval of the constitutional amendment this fall may result in the funds discussed above being deposited instead into the Budget Stabilization Subfund until its balance reaches $500 M and then into the Transportation Stabilization Subfund until it reaches a balance of $500 M. Funds from the Transportation Stabilization Subfund shall be appropriated by the legislature and used solely and exclusively for planning, design, construction and maintenance connected with the state highway program, provided that not less than twenty percent of these funds shall be used solely and exclusively for the Louisiana Intermodal Connecter Program within DOTD.

Act 380 - HB 208 – Representative Landry

Act 380 places into statute additional provisions regarding the 20% constitutionally allowable distribution of TTF dollars collectively for ports, the Parish Transportation Fund, the Statewide Flood Control Program and the Office of State Police (OSP) for traffic control purposes, specifically that such funds shall be limited to 20% of all monies deposited into the TTF, including but not limited to state generated tax monies, fees, penalties and interest earnings. Historically, the only funds considered against the 20% cap were those generated specifically by state tax generated revenues. Act 380 additionally restricts the appropriation of TTF to OSP by stipulating the maximum amounts that can be appropriated to OSP by the legislature to $45 M in FY 16, $20 M in FY 17 and $10 M in FY 18. The proposed law will make additional TTF monies available for appropriation to either the DOTD operating or Capital Outlay budgets in amounts of approximately $20.1 M in FY 16, $25.1 M for FY 17 and $55.1 M in FY 18 and beyond. A language amendment included in the general appropriation bill supplanted $20 M of TTF funds within OSP with self-generated revenues incorporated into the official forecast for FY 16 due to the enactment of Act 111

(HB 448) in FY 16.

Act 431 - HB 767 – Representative St. Germain
Act 431 creates, but does not fund, a state infrastructure bank to act as a revolving loan program within the State Treasury to provide assistance to governmental entities to finance road, bridge and transportation projects with DOTD and State Bond Commission approval. A board will oversee the program and have authority to issue bonds, choose projects for funding and offer loans with a request for exclusion from the state debt limit with the debt service subject to appropriation. Act 432 creates La State Transportation Infrastructure Fund and provides for certain capitalization mechanisms through government funds, donations for public transportation projects and potential revenue deposits as per Act 275 of 2015.

BP Oil Spill Settlement
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On July 2, 2015, a settlement agreement in principle in the amount of $18.7 B was reached between British Petroleum (BP), the federal government and gulf coast states of Alabama, Florida, Louisiana, Mississippi and Texas. The settlement amount is made up of Natural Resource Damages claims ($7.3 B), Clean Water Act penalties ($5.5 B), state economic damage claims ($4.9 B) and local government claims ($1 B). Of the $18.7 B settlement, the state of Louisiana is expected to receive $6.8 B. As part of the settlement, the state will receive a portion of the settlement upfront and receive annual payments for the next 18 years. The exact annual payment amounts are unknown at this time. The annual payment amounts detailed below are based on a weighted percentage of the amount each state is to receive from BP and that percentage was used to determine the illustrative amounts below.

Natural Resource Damages (NRD) – Louisiana $5.0 B
The total NRD portion of the settlement is $7.3 B, with Louisiana receiving the majority of the settlement with $5.0 B. The other four gulf states' settlements total $1.51 B (Texas - $238 M, Alabama - $296 M, Mississippi - $296 M and Florida $680 M). The remainder of the settlement will be spent on region-wide projects ($350 M), open ocean projects ($240 M) and $232 M available at the end of the payment period to cover any further damages that are unknown at this time. Louisiana has already received $368 M of the $5 B for early restoration projects as part of an initial $1 B early restoration payment by BP. The remaining $4.632 B will be paid to Louisiana over 15 years, beginning 1 year after the consent decree is approved according the BP news release. Louisiana will not receive the funds directly; instead the funds will be paid to Louisiana through reimbursement for approved restoration projects.

Clean Water Act Penalties (CWA) – Louisiana $787 M
BP will pay $5.5 B in CWA penalties with a portion of the penalties paid to gulf states pursuant to the RESTORE Act*. The gulf states are expected to receive $2.97 B of the settlement and will be distributed as follows: Louisiana - $787 M, Alabama - $599 M, Mississippi - $582 M, Florida - $572 M and Texas - $438 M. The $787 M that Louisiana will receive will be paid over 15 years. To the extent CWA penalties are paid pursuant to RESTORE, Louisiana will expend money on projects, then seek reimbursement from the RESTORE Council to receive its portion of the CWA penalties.

Economic Damages Payments – Louisiana $1.0 B
The five Gulf States will receive $4.9 B (Florida - $2 B, Alabama - $1 B, Louisiana - $1 B, Mississippi - $750 M and Texas - $150 M) for economic claims over an 18 year period. BP will make an initial payment of $1 B once the consent decree is approved and will make $260 M in annual payments to the states in year 3, continuing until year 17 after the consent decree is approved.

Based on a weighted average of state settlements, Louisiana would receive approximately $204 M upon consent decree approval, no payments in years 1 and 2, and annual payments of $53.1 M for 15 years in years 3 through 17.

As a result of Act 646 of 2014, the monies from economic damages settlements are to be deposited into the Economic Damages Collection Fund and distributed within 30 days as follows: 45% to the Budget Stabilization Fund (not to exceed statutory limit), 45% to the Medicaid Trust Fund for the Elderly (not to exceed $700 M) and 10% to the Health Trust Fund (up to $30 M). Table 2 on the next page illustrates the annual amounts that may be distributed from the Economic Damages Collection Fund to the other funds if the first payment is received in FY 16.

The table to the right assumes that the limits placed on the three funds will not be reached and that the deposits into the Medicaid Trust Fund for the Elderly and Health Trust Fund will be expended each year.

To the extent the Budget Stabilization Fund does reach the statutory limit, it is possible that the funding for the Budget Stabilization Fund would remain in the Economic Damages Collection Fund to accrue interest. The interest accrued on the balance within the Economic Damages Collection Fund would be appropriated to the Board of Regents to be distributed to state public postsecondary institutions as a result of Act 396 of 2015. The exact amount that would be distributed is indeterminable and would depend on the amount that remains in the fund and the rate of return for that particular year.

Table 2

Year	Budget Stablilzation Fund	Medicaid Trust Fund for the Elderly	Health Trust Fund	Total
FY 16	$91,836,735	$91,836,735	$20,408,163	$204,081,633
FY 17	$0	$0	$0	$0
FY 18	$0	$0	$0	$0
FY 19	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 20	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 21	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 22	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 23	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 24	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 25	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 26	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 27	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 28	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 29	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 30	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 31	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 32	$23,877,551	$23,877,551	$5,306,122	$53,061,224
FY 33	$23,877,551	$23,877,551	$5,306,122	$53,061,224
Total	$450,000,000	$450,000,000	$100,000,000	$1,000,000,000

NOTE: The illustrative amount listed above that is to be deposited into the Budget Stabilization Fund is subject to change should Act 473 (SB 202) of 2015 is approved by voters in the fall. Act 473 creates the Budget and Transportation Stabilization Trust, which creates a Budget Stabilization Subfund that would receive mineral revenues up to $500 M. Once that $500 M is met, a Transportation Stabilization Subfund would receive mineral revenues up to $500 M. If approved by voters, Act 473 of 2015 would establish the limit for the Budget Stabilization Subfund at $500 M, to which the current balance is already close. Upon reaching the $500 M cap, the remainder of the 45% set aside for the Budget Stabilization Subfund may remain in the Economic Damages Collection Fund.

NOTE: The annual distribution amounts for each part of the settlement for Louisiana are for **illustrative purposes** and are likely to change once the consent decree is approved. The amounts are determined based on a weighted average of Louisiana's portion of the settlement and are for illustrative purposes only.

*RESTORE Act - The RESTORE Act was passed by Congress in 2012. Transocean entered into a Federal Settlement Agreement with the U.S. DOJ in January 2013 and paid civil penalties of $1 B. These penalties are to be distributed with 20% paid to the federal government and 80% ($800 M) deposited in the Gulf Coast Restoration Trust Fund. From the fund, 35% ($280 M) is allocated equally to the Gulf States. LA's share will be distributed with 70% paid directly to the state and 30% paid to coastal parishes through a weighted formula. An additional 30% (of the $800 M) will be distributed to Gulf States using a weighted formula and no state will receive less than 5% of this portion. Finally, the state will receive an equal share with the other Gulf States of 2.5% for grants and research centers.

Department of Agriculture and Forestry Fee Increases Passed During the 2015 Legislative Session
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The legislature passed a number of measures during the 2015 session that provides the LA Department of Agriculture and Forestry (LDAF) budgetary relief in the form of allowing three of its commissions – the Structural Pest Control Commission, Horticulture Commission, and Seed Commission – to raise fees for exams and regulatory services. For the fee increases to take effect, each commission would have to approve and set a fee increase, then LDAF would promulgate the increases by administrative rule. As a result of the length of time necessary to promulgate administrative rules, LDAF anticipates these fee increases will have only a nominal effect in FY 16, with a majority of the increases being realized beginning in FY 17. All of these programs rely on a combination of SGF and self-generated revenues.

Structural Pest Control Commission

Act 201 of 2015 allows the Structural Pest Control Commission to raise the maximum fee for standard and wood destroying insect reports from $8 per report to $16 per report, a potential increase of $8 per report. Previously the commission could charge between $5 and $8 per report. Act 201 also repeals the minimum report fee of $5 previously outlined in statute. In FY 14, LDAF counted approximately 35,000 standard contract reports and 45,000 wood destroying insect reports, a total of 80,000 reports.

To the extent the same number of reports are filed and the fee is increased to the maximum of $16, LDAF will generate $1.28 M ($16 x 80,000) in revenue. This would result in a potential increase of $640,000 annually from the previous maximum of $640,000 ($8 x 80,000).

Horticulture Commission

Act 202 of 2015 authorizes the Horticulture Commission to raise fees for professional, nursery stock dealer, and cut flower dealer licenses. The original license fees, as well as the new maximum fee and fee increase are outlined in Table 3 below.

Table 3

License Type	Previous Fee	New Max Fee	Fee Increase	Number Issued (FY 14)	Previous Fee Max Revenue	New Fee Max Revenue	Additional Revenue Generated
Professional	$75	$150	$75	5,822	$436,650	$873,300	$436,650
Nursery Stock Dealer	$130	$175	$45	1,459	$189,670	$255,325	$65,655
Cut Flower Dealer	$70	$140	$70	1,047	$73,290	$146,580	$73,290
Total					$699,610	$1,275,205	$575,595

Using LDAF data from FY 14 on each type of license, a maximum potential increase of $575,595 annually may occur to the extent LDAF issues licenses at the same rate.

Seed Commission

Lastly, Act 318 of 2015 allows the Seed Commission to raise license fees for seed dealers in the state of Louisiana from $100 to up to $200. Additionally, the act expands which entities must have a seed dealer license to do business within Louisiana's borders, including out-of-state dealers. In FY 14, LDAF issued 1,300 seed dealer licenses. To the extent the Seed Commission increases the license fee to its maximum amount of $200, and renewals remain constant, LDAF would generate an additional $130,000 in revenue, from $130,000 to $260,000.

However, the inclusion of out-of-state dealers makes the potential increase in revenues difficult to predict based upon historical data. The department previously did not require out-of-state dealers to obtain licenses to carry out business in Louisiana. LDAF is currently aware of approximately 200 out-of-state entities that would require a license to do business in Louisiana, but this number is not certain. As a result, the true potential increase of revenues as a result of seed dealer license fees is indeterminable.

Act 318 of 2015 also raises the regulatory fee per 100 lbs. of seeds at the first point of sale in Louisiana from $0.20 to $0.30, an increase of $0.10 per 100 lbs. Dealers sold 177,288,500 lbs. of seed in Louisiana in FY 14. To the extent seed sales in FY 16 and in subsequent FYs remain constant, a potential increase of $177,300 in revenue from $354,600 to $531,900 ($531,900 - $354,600) would occur.

These three acts are part of LDAF's effort to maintain self-sustaining programs. The projected increase in revenues resulting from all three acts will allow the Pest Control, Horticulture, and Seed Regulatory programs to hire and retain personnel necessary to carry out the respective duties of each program. While LDAF does not expect each commission to raise their respective fees to the maximums outlined in each piece of legislation, the acts do allow the Pest Control, Horticulture, and Seed Regulatory programs to become more reliant on self-generated revenues.

Department of Natural Resources Fee Increases

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In order to offset a $4 M reduction in SGF due to statewide budget cuts in FY 16, the Office of Conservation within the Department of Natural Resources recommended an increase in current fees as well as the introduction of several new fees to the legislature which will generate $5.5 M. These fees will be used to make up the balance in lieu of SGF to pay for services currently provided by the Office of Conservation. The increases will also allow DNR to fulfill the obligation to the Office of Technology Services for IT services ($500,000) as well as replenish the underfunding of Related Benefits for the Office of Conservation ($1 M). Prior to the reduction, DNR offered several services to oil and gas companies free of charge, because those services were funded with SGF. According to DNR, the Office of Conservation would have to reduce at least 17 positions in areas ranging from permit issuance to regulation enforcement if the fees had not been increased.

Table 4

Fee Category	Previous Fee	New Fee	Number of Facilities/Acres	Total Previous Fee Collections	Total New Fee Collections	Total Collection Increases
Type A Commercial	$6,496	$15,742	9	$58,464	$141,678	$83,214
Type B Commercial	$3,248	$7,873	22	$72,248	$173,206	$100,958
Class I	$11,940	$29,850	34	$405,960	$1,014,900	$608,940
Class II, III, and Storage	$651	$1,621	1197	$779,247	$1,940,337	$1,161,090
Acreage Fee	$5 per acre	$15 per acre	40,000	$200,000	$600,000	$400,000
Total				**$1,515,919**	**$3,870,121**	**$2,354,202**

Act 362 of 2015 is anticipated to raise approximately $5.5 M annually in new revenue for the Oil & Gas Regulatory Fund by increasing existing caps and fees as well as creating new fees. First, Act 362 increases the Oil and Gas Regulatory Fund cap on all capable oil and gas production by 50% from $2.45 M to $3.675 M ($1.2 M). In addition, Act 362 increases fee caps on Type A & B Commercial facilities, Class I, II, & III injection wells, and storage facilities by 150%. This is anticipated to generate another $2.3 M in revenue annually. The fee increases will come from the following categories as noted in Table 4 above.

Lastly, Act 362 institutes 31 new fees to continue funding services DNR has traditionally offered at no cost to the industry. These new fees will generate approximately $2 M per year in new revenue. Each fee and the revenue it is anticipated to generate are listed in Table 5 to the right.

Table 5

Application Type	Proposed Fee	Number of Applications	Projected Revenue
Alternate Well Unit	$504	5	$2,520
Exceptioin to 29-E	$504	10	$5,040
Exception to 29-B	$504	25	$12,600
Severance Tax Relief	$504	250	$126,000
Downhole Combinations	$504	12	$6,048
Well Product Reclassification	$504	5	$2,520
Selective Completion	$504	5	$2,520
Pilot Projects	$504	2	$1,008
Work Permit-Minerals	$75	4250	$318,750
Amend Permit to Drill-Minerals (LUW, Stripper, Incapable, Other)	$50	4500	$225,000
Operator Registration	$105	1340	$140,700
Waiver of Production Test	$504	20	$10,080
Critical Date Order	$504	40	$20,160
Compliance Review Fee - Class III Solution Mining Cavern	$2,000	71	$142,000
Compliance Review Fee- Class II Hydrocarbon Storage	$2,000	152	$304,000
Class II CO2 EOR Project	$5,000	2	$10,000
Community Saltwater Disposal System Initial Notification	$125	10	$1,250
Work Permit- Injection or other	$125	406	$50,750
Plug & Abandon (NORM disposal)	$500	1	$500
Modify Well Permit- change MASIP, work prognosis, ect	$300	100	$30,000
Class V Permit Waiver/Exception	$250	10	$2,500
Witnessed Verification of MIT Tests	$250	1521	$380,250
Transfer Stations Regulatory Fee (E&P Waste)	$2,500	16	$40,000
Transport E&P Waste to Commercial Facilities	$150	550	$82,500
Authorization for After Hours Disposal (E&P Waste)	$150	325	$48,750
E&P Waste Determinination	$300	3	$900
Commercial Facility Transfer Station Application	$1,500	1	$1,500
Commercial Facility Application Exclusive of an Associated Well	$3,000	1	$3,000
Commercial Facility Annual Closure Plan and Cost Estimate Review	$300	42	$12,600
Commercial Facility Reuse Material Applications	$300	50	$15,000
Reuse Material Applications not Associated w/ Commercial Facility	$400	1	$400
Total New Revenue			**$1,998,846**